Sun Microsystems to cut 10 percent of workforce

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Sun Microsystems, maker of servers and database software, announced plans Tuesday to lay off 3,000 people ahead of its merger with Oracle Corp.

The layoffs will amount to 10 percent of the company's workforce and will affect jobs worldwide. Sun is the fourth-largest computer server manufacturer, and employs nearly 30,000 people around the globe.

Heather Bellini, a securities analyst, told Bloomberg News that Oracle is likely to cut more jobs after the merger goes through. "We think it will be a lot higher than 10 percent," she said.

Oracle, Sun's new owner, said it expects to return the company to profitability within a year by cutting workers and overhead. Oracle "has a history of cutting jobs to achieve profit goals," according to Bloomberg.com. Oracle cut 5,000 workers after taking over PeopleSoft in 2005, and another 2,000 after snapping up Siebel Systems the following year.

The layoffs at Sun Microsystems are only the latest and most conspicuous of an ongoing series of mass layoffs. The *New York Times* announced Monday that it plans to cut 100 jobs in its newsroom, amounting to 8 percent of the total, by offering buyouts followed by layoffs.

The same day, the Chicago Transit Authority announced that it was sending out about 2,000 layoff notices to bus drivers and other employees. The cuts will reduce the transit authority's workforce by 11 percent, according to a source cited by the *Chicago Sun Times*.

Lexmark, the printer manufacturer, similarly announced dramatic job cuts together with higher-than-expected profits. The company announced Wednesday its plans to cut 825 positions around the world, leading to cost savings of $70 million to $110 million.

Meanwhile, Pfizer, the pharmaceutical giant, is expected to cut thousands more jobs following its third-quarter profits announcement. Pfizer's workforce fell to 75,400 at the end of September, down from 81,500 at the beginning of the year, suggesting that it cut more than 6,000 jobs. Citing earlier statistics, the *Wall Street Journal* claimed that even more cuts were to come.

Caterpillar, the maker of construction machinery, likewise revealed, in connection with its third-quarter earnings, that it had cut 18,700 full-time jobs, and nearly as many temporary ones, since the start of the year.

Both Pfizer and Caterpillar meanwhile posted higher than expected third-quarter profits. Pfizer saw its earnings rise by 26 percent from a year earlier, while Caterpillar posted profits of 64 cents per share, far higher than analysts' expectations of 5 cents a share.

Both companies are examples of a broader trend. Amid the sharpest economic contraction in decades, US companies have responded to falling revenues by cutting jobs at an unprecedented rate. This has allowed them to dramatically exceed earnings expectations. According to research by Bloomberg.com, the number of companies posting higher than expected profits has reached the highest number on records going back to 1993.

As of October 16, 34 of the 41 S&P 500 companies reporting earnings had beat expectations, according to another report. As the *Financial Times* wrote last week, "US companies appear to have cut far more jobs than their European rivals during the crisis, providing a possible explanation of why American groups are performing better than their competitors across the Atlantic."

The recovery in profits has occurred even as revenues have shrunk. Caterpillar's sales have fallen by 44 percent to 7.3 billion. Even more dramatically, Pfizer's profits are up by 26 percent from a year earlier, even though sales have been reduced by 2.9 percent.

As one commentator noted, "most of [the companies posting profits] aren't actually selling more of the stuff they make or the services they offer. It's just that all the layoffs and other cost-cutting they've been doing the last year are finally showing results."

Since the start of the recession, 7.6 million people in the US have lost their jobs, and over 15 million are currently unemployed. By contrast, the Obama administration's stimulus bill has created only about 30,000 jobs. When it comes to the banks—people are told—government funds are virtually unlimited, but there is supposedly no money for the government to create jobs.

In reality, White House talk of "recovery" is not about the improvement of the population's living conditions, but the raising of corporate profits.